



Patrick W. Henning, Director



Arnold Schwarzenegger
Governor

July 14, 2008
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Mr. Jeff Rowe, Director
Stanislaus County Alliance WorkNet
PO Box 3389
251 E. Hackett Road, C-2
Modesto, CA 95358-003

Dear Mr. Rowe:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Stanislaus County Alliance WorkNet's (AW) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Davis from March 24, 2008 through March 28, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by AW with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of AW, a review of applicable policies and procedures, and a review of documentation retained by AW for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on June 2, 2008 and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed the finding cited in the draft report, no further action is required at this time. However, this issue will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, this finding is assigned Corrective Action Tracking System (CATS) number 80098.

BACKGROUND

The AW was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, AW was allocated: \$2,533,195 to serve 453 adult participants; \$2,651,064 to serve 412 youth participants; and \$1,936,450 to serve 348 dislocated worker participants

For the quarter ending March 31, 2008, AW reported the following expenditures and enrollments for its WIA programs: \$138,818 to serve 339 adult participants; \$695,944 to serve 348 youth participants; and \$551,220 to serve 225 dislocated worker participants.

FISCAL REVIEW RESULTS

We concluded that, overall, AW is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, AW is meeting applicable WIA requirements concerning procurement; we noted an instance of noncompliance in the area of cost/price analysis. The finding that we identified in this area, our recommendation, and AW's proposed resolution of the finding is specified below.

FINDING 1

Requirement: 29 CFR §97.36(d)(1) and (f)(1) states, in part, that grantees and subgrantees must perform a cost or price analysis in connection with every procurement action, including small purchases.

WIA Directive WIAD00-2 states, in part, that each procurement transaction must be documented.

The AW's procurement policy dated March 1, 2006 states, in part, that price/rate quotations will be used for all procurements to determine the reasonableness of a proposed contract price to

include small purchases, but the procedures do not clearly identify that the small purchases must also be documented onto a form and maintained for each small purchase transaction.

Observation: We found that AW did not document a cost/price analysis in the process of selecting vendors to address its youth participant service needs. Specifically, AW listed all local vendors that provide services associated with the ten elements required for youth service delivery. However, AW failed to use a cost/price analysis form designed to document a cost/price analysis in the process of selecting vendors to address six youth participant's service requirements. The AW staff stated that the process was established to assist case managers to make the best selection of vendors after assessing each youth participant's needs and ensure that individualized services are received on a case-by case basis.

Recommendation: We recommended that AW provide the Compliance Review Division with a Corrective Action Plan that explains how it will ensure that the selection of all future youth participant vendors includes a documented cost/price analysis.

AW Response: The AW stated that it has created a Vendor Cost/Price Analysis/Comparison Worksheet, to be used in the selection of the most appropriate vendor to provide a particular service to a client. The AW provided samples of the form depicting its various uses during procurement transactions, and further stated it mandated all Careerquest staff and Case Managers to put the form in use effective April 2, 2008.

State Conclusion: The AW stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, AW'S successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80098.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than August 11, 2008.

Mr. Jeffery Rowe

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July 14, 2008

Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is AW's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain AW's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. David Davis at (916) 654-8332.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", with a stylized, cursive script.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Don Migge, MIC 50
Roger Schmitt, MIC 50